July 8, 1959

# Investor's Reader

*For a better understanding of business news*



GOVERNOR MUNOZ AND LAURANCE ROCKEFELLER INSPECT DORADO (see page 1)


## CARIBBEAN CALL

The arrows on the signpost grasped by this Puerto Rican miss point in the wrong direction for most viewers who would rather come and enjoy this Caribbean seascape than go back home. In fact, tourism is one (but only one) of the major industries contributing to Puerto Rico's boom (see page 1).

Back in 1947 Puerto Rico played host to 40,000 visitors (including servicemen); ten years later 186,000 came to the Island and this year over 200,000 guests are expected. The tourist wave has swept total visitor spending from \$4,200,000 in 1947 to roughly \$35,000,000 today.

Puerto Ricans claim they now have more tourists than all the rest of Latin America combined. The influx was swelled this past season when troubles in Cuba and fretful weather in Florida chased thousands to the Island. So many came that some were actually bedded in local hospitals and Pan Am started "rescue" flights to the nearby Dominican Republic.

To accommodate the eager crowds several new hotels are on blueprint including the 170-room, \$3,750,000 Ponce Intercontinental (Pan Am Airways) whose golf course opened last Summer; the 18-story, \$8,000,000 Sheraton and the \$4,000,000 El Miramar (Hotels Corp of America).

These follow a flock of hotels built within the past two seasons. Among them: the Dorado, La Concha (Government-owned but operated by Associated Federal Hotels, a chain owned by Landrum Mills of Dallas) and the 320-room, \$7,500,000 San Juan Intercontinental (by Pan Am), built on a 16-acre ocean-front tract convenient to the airport. With active advertising support by the Commonwealth and air transporters Pan Am, Eastern and Trans Caribbean as well as the hotels themselves, Puerto Ricans confidently count on a further tourist upswing to fill the hostelries.

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# The Delightful Dollars in Puerto Rico

*In early June a dozen top-flight executives and directors of Eastern Air Lines gathered for a week-long business session in the swank Dorado Beach Hotel & Golf Club about 20 miles west of San Juan, Puerto Rico.*

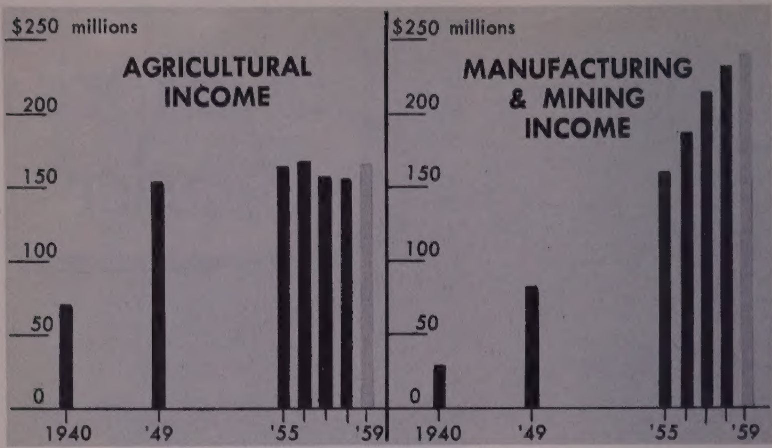
*A few weeks ago 80 directors, officials and foreign bosses of Standard Oil of New Jersey convened in the same place for a seven-day "Coordination Meeting."*

THIS INFLUX of major corporation officials is symbolic of the quickened economic pace on the Enchanted Isle of Puerto Rico, which is 1,650 air miles southeast of New York and 1,000 miles from Miami.

As recently as the days of the New Deal, the 100-by-35-mile tropical island was generally regarded as an economic headache suitable only for sugar cane, various socialistic experiments and military bases. The sugar is still there but no longer paramount, the state-owned plants & factories have been sold to private business and the military bases are bigger than ever (excluding wartime). But most important Puerto Rico is more self sufficient than any time since Columbus landed in 1493.

An overall indication of the progress is Commonwealth gross product which has soared from $287,000,000 in the fiscal year ended June 1940 to a record $1.3 billion in the 1958 period. In the fiscal year ended last week there was a small gain to another new record. Hence in 19 years Puerto Rico's income has leaped 350%.

By coincidence or otherwise, this percentage gain almost exactly matches the excellent record in the US where gross national product has jumped from $101 billion in 1940 to a current $467 billion rate. Says Dr Rafael Pico, president of




the Government Development Bank of Puerto Rico and a leading Western Hemisphere economist: "Naturally we're proud of the gains but we know there's a long ways to go."

Beneath these total figures are some significant changes — social and economic. Not long ago Puerto Rico was an island of the very rich (sugar and rum) and the very poor (beans and rice). As in many other parts of the world, there is now an expanding middle class. Here are four separate but related items:

- Private checking and savings accounts have multiplied over sevenfold from $45,000,000 in 1940 to almost $350,000,000 today.
- Enrollment in the University has risen from 4,987 in 1940 to 19,000 in the semester just ended.
- Use of electricity has grown from 1,383 kwh a customer in 1940 to roughly 4,300 kwh today. This includes all types of customers.
- Automobile registrations have gone up the road from 27,000 in 1940 to above 150,000. This is especially interesting because the Commonwealth recently slapped a stiff excise tax on automobiles which pushes the price of a Chevrolet to $3,800 (still a popular car) and the tag on a Cadillac to almost $10,000 (scarce).

**Bootstraps in Action.** This metamorphosis started about a dozen years ago when Island leaders decided to get away from a one-crop economy and raise living standards. A major step was the adoption of a "broad program of incentives" to stimulate manufacturing. Not only did the Commonwealth promise direct technical and financial aid to qualified individuals and companies but it also granted freedom from all income taxes for ten years. "Qualified" usually means a new or needed business. To implement the program the legislature created the Economic Development Administration, widely known as "Fomento" (officially the Admini-

stration de Fomento Economico).

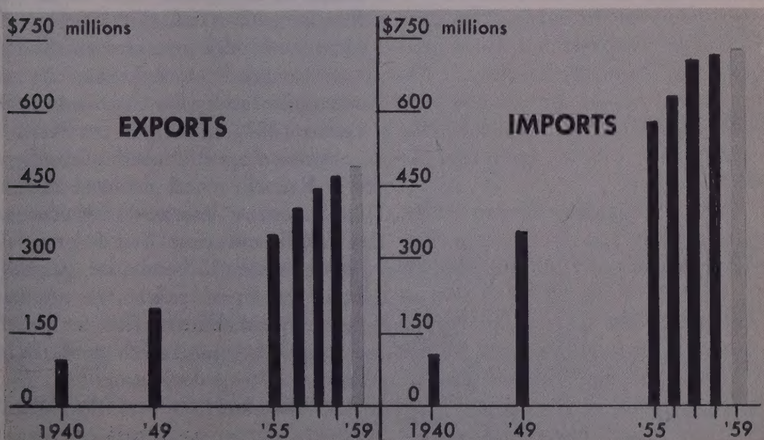
Meantime the Legislature passed Act No 17 which set up the Government Development Bank which not only acts as the Commonwealth fiscal agent and advisory agency but also helps Fomento finance the plants it promotes.

The Puerto Ricans set to work with speed and energy seldom seen in the tropics. To a considerable degree they were spurred by the election of able, hard-working Luis Munoz Marin as Governor in 1948. This was the first gubernatorial election ever held (the US President appointed previous governors) and Luis Munoz won in a landslide. He has been re-elected twice and rolled up 63% of the vote in 1956.

Luis Munoz is wise in the ways of politics (his father was a Spanish-appointed Governor) and wise to the ways of US business (he is a graduate of Georgetown U and lived 15 years in the States). He encouraged an intensive promotion campaign to extol the advantages of the Island for work and play.

As headman for Fomento the Governor selected aggressive, fast-thinking Teodoro "Teddy" Moscoso who learned much about business in his family's pharmaceutical firm and Michigan U. In no time at all the Bank and Fomento had gathered alert and affable staffs of engineers, technicians and advisors to help any businessman interested in tax-free profits. The agencies also set up offices in places like New York, Chicago, Boston, Miami, Los Angeles and even West Germany. The overall plan is often called "Operation Bootstrap."

There were bugs and beefs from San Juan to San Jose but "industrialization" got off the ground fast enough to open the 100th plant in early 1951. As of this week, 575 plants are in operation, 85 projects "under active negotiation or discussion." In consequence, there are now 76,000 directly employed in



## SOME MAINLAND COMPANIES IN PUERTO RICO

| Mainland Firm | Puerto Rico Affiliate | Location | Employes in Puerto Rico |
|---|---|---|---|
| American Can | Puerto Rican Can | Bayamon | 75 |
| Beaunit Mills | Beaunit of PR | Humacao | 156 |
| Carborundum Company | Carborundum of PR | Mayaguez | 201 |
| Chase Manhattan Bank | Chase Manhattan Bank | San Juan | 365 |
| Chemetron Corp | NCG of PR | Bayamon | 10 |
| Consolidated Cigar | Consolidated Cigar of PR | Caguas | 1,650 |
| Continental Copper & Steel | Standard Steel & Wire | Bayamon | 305 |
| First National City Bank | First National City Bank | San Juan | 420 |
| General Electric | Caribe General Electric | Rio Grande | 750 |
| Grace (WR) & Co | Paper Bag Division<br>International Metalloids | Hato Rey<br>Toa Alta | 485 |
| Indian Head Mills | Indian Head of PR | Ponce | 350 |
| International Latex | Playtex Pan-Am | Manati | 150 |
| International Shoe | Manati Shoe and Caribe Shoe | Manati | 100 |
| Maiden Form Brassiere | Beatrice Needle Craft | Ponce & Mayaguez | 900 |
| Nebraska Cons Mills | Molinas de Puerto Rico | Guaynabo | 100 |
| Parke, Davis | Parke, Davis & Co | Carolina | 30 |
| Phelps Dodge | Phelps Dodge Copper | Carolina | 100 |
| Sperry Rand | Vega Alta Corp | Vega Alta | 108 |
| St Regis Paper | St Regis Paper & Bag | Ponce | 60 |
| Sunbeam Corp | Sunbeam Electric | Hato Rey | 550 |
| Union Carbide | Union Carbide Caribe | Penuelas | 400 |
| Van Raalte | Caribe Company | Aibonito | 100 |

manufacturing of which about half work in Fomento-fomented factories. Another 40,000 or so work in service jobs.

In terms of total income, the factories overtook the farms three years ago—an economic coup once considered impossible. More precisely agricultural income in the past two decades has doubled to $155,000,000 while manufacturing totals have soared eight-fold to $230,000,000.

Amid this industrial prosperity, however, the total cost of government has jumped from $43,000,000 in fiscal 1940 to $230,000,000 at last report—"it costs more to run everything and 51% of our budget is education and public health." Another point is jobless have actually increased from 11% of the work force in 1940 to 13% today—"we have become reconciled."

**Progressive Results.** Many of the new plant operators obviously like the place. Red Cape Leather Products located at Cabo Rojo was the very first of the "imported" plants and still operates profitably even though it has exhausted its tax exemption and pays Commonwealth rates of 32% (*v* 52% in the States).

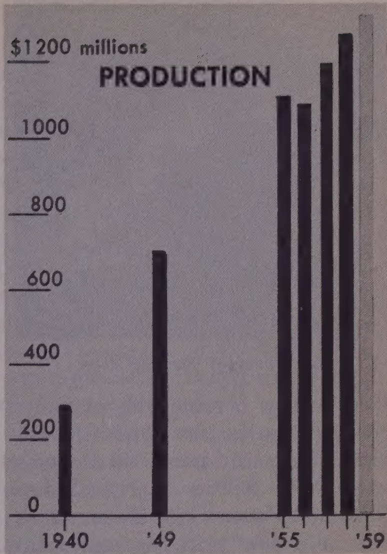
Perhaps a better example is General Electric which came to the Island more or less as an experiment in 1955 and now has four small plants with 750 on the payroll. Items produced reflect the manual dexterity of Puerto Ricans: small circuit breakers, switch gear, light meters, wiring devices.

A news-hunt around the Island quickly turns up many stories of

spectacular success. One is Paper Mate pens which started with $150,000, sold out to Gillette Company in 1955 for an estimated $12,000,000. Unfortunately the Paper Mate operation has since dwindled. Another is Consolidated Cigar Corp (IR, May 13) which started with a $1,500,000 plant in 1953 and now has two plants and four warehouses and is building a third factory to employ 2,300, by far the largest plant in Puerto Rico. Here the "bootstraps" lift twice: 1) one of the largest payrolls on the Island; 2) millions in taxes on the cigars.

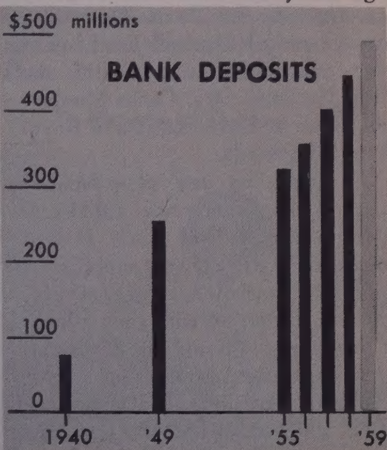
A third example is the sparkling Caribe Hilton hotel which is owned by the Government but operated by Hilton Hotels Corp. Although barely ten years old the Caribe has long since paid for itself (a casino helps) and the Government has turned down several offers to buy at far above the original cost of $8,500,000. The original 300-room hotel has been expanded by 100 rooms and its success has spurred a directory-full of other fancy new hostelries (see inside front cover).

A great help to the Island is the progressive attitude of the private bankers. One of the most active is youthful Rafael "Papi" Carrion Jr, president of Banco Popular with $125,000,000 total assets and 20 branches not to mention four bank-buses *(unidad rodante)* which make scheduled stops at hamlets and cross-roads. Executive veep of the Banco Credito y Ahorra (loans & savings) is cheerful Esteban "Chilo" Bird who is as well known as a sports fisherman as a banker.




Credito has paid dividends in 62 of the past 64 years and its assets exceed $110,000,000. No 3 banker is handsome Roberto de Jesus Toro, a former Government Bank official who now runs Banco de Ponce with 17 offices (plus two agencies in New York) and over $60,000,000 assets.

From dead-center ten years ago



**Government Banker Pico**

there is now a reasonable over-the-counter market for Puerto Rican bank stocks. At presstime Popular was about $57 a share, Credito $175 and Ponce $190. These stocks sell at a low price-earnings ratio compared with US bank stocks but their dividend payout also is lower.

A newcomer is First Federal Savings & Loan which started only eleven years ago on $212,000, has zoomed to over $50,000,000. As a suitable monument to its success, it is now building (via the usual co-op arrangements) one of the tallest structures in San Juan. There also are a handful of small local banks plus substantial outposts of the First National City, Chase Manhattan, Bank of Nova Scotia and Royal Bank of Canada.

As plush as any glass-facaded bank is the elegant new 1,800-acre Dorado Beach Golf Club. It cost over $10,000,000, mostly supplied by Laurance Rockefeller (see cover). Dorado started off with such a bang it now plans to double its 136-room hotel capacity. Among other things, young Rockefeller is also behind IBEC which built four ultra-modern supermarkets called Todos or "everything." The Todos stores were just sold to Grand Union.

Another private success is El Comandante, a $6,000,000 race track with room for 25,000 excitable fans. The track got started with equity capital and loans from Chase Manhattan, Columbia University and Banco de Ponce. With racing 157 days a year, the track has done so well it has paid off all debt and its annual "take" is fifth among the 100-plus thoroughbred tracks in the US—right between Santa Anita and Garden State.

Still another is a luxurious bowling alley ("Bolera") which opened only a few weeks ago in a new shopping center in San Juan. With 24 lanes equipped with AMF pinspotters, the Bolera operates 24 hours a day and even at 2 am it is jammed with sports-minded Puerto Ricans trying a new game. Result is seven more alleys are planned with AMF equipment; other promoters consider using Brunswick - Balke - Collender automatic pinboys.

Such examples do not mean any factory or idea in Puerto Rico is an overnight success. Management, product and quality lose none of their importance simply because of sunny clime and tax exemption. Says Dr Pico: "We cannot guarantee a man a profit any more than we can guarantee his life * * * Brains and hard work are very important." In any event the overall record of Fomento is impressive—at latest count 270 companies earned total profits of $45,530,000 and 118 lost $3,068,000. These figures are

for 1957 but current results are the same ratio or better.

**Bittersweet Tangle.** An unexpected problem has popped up on the sugar estates, still a major source of income with an estimated $150,000,000 exports this year (including rum). The sugar growers claim they cannot get enough workers and the ones they get are lazy; others say wages are too low and more mechanization is needed even though the unions frequently object. There definitely are fewer workers since sugar employment is down to 80,000 compared with 130,000 a few years back. A striking point: Hawaii produces the same sugar with 13,000 workers. Says Dr Pico: "I'm not sure what the basic problems are but I do know they are totally unexpected and must be solved."

There are many complaints and jokes about the phone service supplied by $35,000,000-assets Porto (sic) Rico Telephone which is 80% controlled by International Tel & Tel. It is 50 miles from San Juan to Ponce but a phone call can take all day. The Governor said: "Telephone service is a personal problem of mine as well as yours."

The arguments are sorry-go-round—the company says it cannot improve service without higher rates; the Public Service Commission says the company will not get higher rates unless it gives better service. At present there is a compromise in which the company will spend $52,000,000 in the next five years and rates will be adjusted as proved needed.

**Tropical Ideas.** There are other problems such as the shortage of food (55% is still imported) and the shortage of natural resources (little or no oil, coal, lumber, iron ore, etc). There are also too many people with 675 to the square mile contrasted to 55 in the US. This problem would even be worse except population has leveled off in the past few years. One reason is thousands of Puerto Ricans have migrated to the US where they are full-fledged citizens.

Despite these things, new plans and projects blossom like a *flamboyan* (royal poinciana). Now the government is anxious to promote large plants which will benefit the insular economy and not vanish when their tax exemptions expire. The laws already have been amended to exempt a $999,000 plant from property taxes for five years while a $10,000,000-plus operation gets a ten year free ride.

A round-robin deal is a proposed $2,000,000 rice mill (California operators) which will complement a new flour mill (Nebraska operators). These mills have spurred plans for

***Moscoso of Fomento***

a $2,500,000 automated slaughterhouse (Iowa operators). And this in turn should spur cattle raising and ease the food problem. Until the mills went up cattle feed was too costly and without enough animals no slaughterhouse was needed.

Commercial fish processing goes swimmingly. Several years ago Stokely-Van Camp built a $500,000 tuna canning plant which processes fish caught near the Galapagos off Ecuador. Now huge tuna schools have been discovered off the African coast which would eliminate the Panama Canal voyage. This find has intrigued California's Star-Kist Foods and it plans a $2,700,000 cannery. By no coincidence it will process fish meal for those promised cattle herds.

Other plans include two more rice mills, a $4,000,000 plant to make hardboard out of bagasse (residue of sugar), doubled capacity at the already large and prosperous Caribbean Oil Refinery which is affiliated with Gulf Oil. Much discussed is a $40,000,000 "petrochemical complex" to tie in with the two refineries on the Island (the other is Commonwealth Refinery). On the government's own list is a new $21,000,000 port in six years, a $5,000,000 early expansion of the new but already crowded San Juan airport, about $40,000,000 for electric power over three years, $25,000,000 for aqueducts and sewers for three years, $85,000,000 for roads to 1965.

A new angle is to promote the Island as a base for the foreign operations of Stateside companies. Instead of a legal and operations base in Panama, for example, the Puerto Ricans tell US companies San Juan would be better and easier to reach.

These things have turned Puerto Rico more & more into a Spanish-flavored US state—in fact its Commonwealth status is similar to an autonomous state. While the aura, flora and fauna are distinctly tropical, the coin of the realm is the US dollar, all official documents are bilingual and everyone from *maitre d'hotel* to taxi driver speaks English.

Island leaders press to get all water up to US standards (90% accomplished) with telephone service to match (still distant). Already health standards have improved so fast life expectancy has leaped from 30 years in 1900 to 68 today. The death rate is actually below the US.

In some ways the US should look to Puerto Rico. Luis Munoz has been governor for eleven years but his regime has never been tainted with graft or corruption and even his political opponents concede he has a hard-working crew. While family income is far below the US, home foreclosures under FHA are one-fifth the mainland rate.

On a broader basis, debt service is only 2.7% of the Commonwealth budget contrasted with 10% in this country while all types of taxes represent 20% of Island income compared with 30% in the States. This is one reason why Commonwealth credit standing has risen close to the top. Only a few weeks ago San Juan sold $5,000,000 of public improvement bonds at a cost of 4.1% which equals the rate paid by the redoubtable Port of New York Authority (see page 12).

## WALL STREET

### Crosscurrents

SELDOM in recent history have there been so many crosscurrents in the stock market. Hence the investor must chart his course with extreme care.

One day just before presstime the shares of industry giant Alcoa pushed above 102 to a four-year high. Minutes later the shares of industry giant Standard Oil of Jersey sank below 50 for a three-year low.

### Black & White

THE DOCUMENT which the law states must accompany a public stock offering is called a prospectus and rarely makes light reading. Some folks even figure the stock must be OKay because they somehow feel the prospectus carries an SEC imprimatur—even though right on the front page a notice in boldface capitals must state the issue has "not been approved or disapproved" by the SEC and it is a criminal offense to so claim. All the SEC requires is that the pertinent information is there in black & white.

Despite the fears of many people to tackle a legalistic tome, some highly pertinent information is often spelled out quite plainly—if would-be purchasers would only take the trouble to read. Typical of statements in many prospectuses are these excerpts placed on the very first text page in a recent example:

• The company has no history of earnings and its unincorporated predecessor operated at a loss since its inception. The company competes with several major manufacturers * * * which have substantially greater financial resources and highly developed marketing facilities.

• If all the securities offered are sold, the public will own one-third of the shares then outstanding while two-thirds will be owned by promoters, officers and directors [who obtained shares at less than one-fourth the public offering price]. There is no established market price for the company's shares and the present offering price has been arbitrarily determined.

• Officers and directors have options to purchase [more] shares * * * The exercise of these options would result in a possible dilution of the interest of stockholders in the assets and earnings of the company * * * and may adversely affect future financing of the company.

• There is no assurance that any of the shares being offered will be sold and that the company will be able to carry out the purposes for which the offering is being made since there is no firm underwriting agreement. The underwriter * * * had no prior experience in underwriting security offerings.

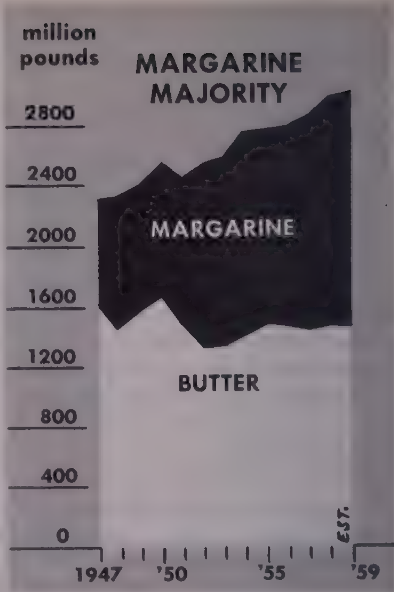
## FOODS

### Standard Brands Bonanza

ONE OF THE hottest items on grocery shelves these days is a butter substitute with a difference—Fleischmann's Margarine, "made from 100% Golden Corn Oil." Joyfully peddling the new product is

Standard Brands, a highly diversified food company which handles everything from Hunt Club dog dinners to Black & White Scotch.

Standard Brands treasurer Joseph Henry Hoyt says: "It is the only pure corn oil margarine on the market so far." Successfully test-marketed for a year, it was formally introduced in March and already "sales are way ahead of projections." Undoubtedly the boom is aided by the growing national taste for butter alternatives with margarine outselling butter since 1957 (see chart).




Fleischmann's is premium priced a dime a pound over Standard's regular margarine brand, Blue Bonnet, which claims to be the nation's No 1 seller. Even so demand is so heavy the company has delayed market expansion to satisfy its present customers. (Safeway's California headquarters reports it is not yet available on the West Coast.) New York's carriage trade grocer Gristede Bros says the spread is selling "extremely well" and attributes the success to "good taste and excellent timing."

The introduction of Golden Corn coincides with the growing but far from unanimous medical opinion: 1) a high blood cholesterol level may aggravate heart disease; 2) corn oil is sometimes effective in reducing that level. While each cholesterol pronouncement weakens the heart beat of an already shaky egg market, it spurs sales of corn products.

Corn-based margarine is the first new product to emerge from integrated operations of Standard Brands and the corn processing division of Clinton Foods, bought three years ago. The corn oil is processed at the Clinton, Iowa plant, then made into margarine at the Fleischmann division's Indianapolis facilities.

Last year Standard Brands reported over half a billion dollars in sales with earnings of nearly $14,000,000. In the first quarter of 1959 a cold market for its frozen eggs plus cheaper coffee prices (Chase & Sanborn) resulted in slightly lower dollar sales despite larger unit volume. In the same period earnings inched up 5% to $4,000,000 and treasurer Hoyt feels "trends are strong; we certainly have a good running start" on beating last year's profit performance. The 3,286,000 common shares which have traded around 40 since 1955, started to climb late last year, now coast at 65.

## MACHINERY
### Goodman's Menagerie

THOUGH it produces such zoological-sounding specimens as duckbills and hogs, the Goodman Manufacturing Company of Chicago has no traffic with the animal kingdom. It simply produces heavy machines which look like animals and are so named.

The Goodman fauna are mostly steel-jawed and use their teeth to mine coal (hard and soft), metals and salt. The mechanical monsters are also used to bore tunnels, build roads, quarry minerals and serve in assorted other industries. The hogs for instance work in the wood pulp business. Others in Goodman's menagerie: sawbills (for boring for coal) and bugdusters (short, small conveyors for finely ground coal).

The relatively small ($15,800,000-assets) manufacturer is in a cyclical business greatly influenced by another cyclical business—coal mining. Thus while 1958 output of the US bituminous industry (Goodman's chief customer) slid to 400,000,000 tons from 493,000,000, Goodman sadly watched its own shipments skid to $14,200,000 from $25,100,000 a year earlier. Profits collapsed to $233,000 or 65¢ a share from $1,489,000 or $1.14 a share in 1957 to reach the deepest pit since 1954 when the company mined a $148,000 deficit.

This year however president Howard Goodman is looking forward to a "better" year though he declines to say how much better. At the March annual meeting he had told shareholders the first quarter would be a little below 1958 (the company issues no quarterly details) but the second quarter should show an increase. In a phone interview last week president Goodman updated: "The improvement we anticipated is being realized." Coal production is 5-to-6% above a year ago and "this encourages us."

The company has only 360,000

*Bugduster in underground habitat*

shares outstanding which trade on the American Stock Exchange around 20 v a high for the year of 24 and a low of 18. The adjusted alltime high of 32 was set in 1957. Last year Goodman paid $1 for the 59th consecutive dividend year.

President Goodman hopefully eyes the Federal roadbuilding program, "if that ever gets off the ground, or perhaps I should say on the ground." The company has no plans for acquiring another company, says prexy Goodman, nor does it expect to be absorbed by a bigger company.

## FISCAL
### Municipal Move-up

LAST MONTH corporate bonds made money market news when interest rates moved up to the 5% level (IR, June 10). Two weeks ago the municipal sector claimed the spotlight as yields on new issues of long-term tax exempts broke through the 4% barrier. Items:

- As the syndicate selling $33,000,000 worth of Oregon Veterans bonds was dissolved, yields on bonds at the long-term end (1975) of the serial issue moved to 4%. When the bonds were originally offered in April, they were priced to yield 3.4% for longer maturities.
- The Port of New York Authority serial bonds intended to finance improvements at LaGuardia and Idlewild Airports were sold to yield 4.15% for a long (1979) maturity. In addition the bonds were made non-callable for nine years. Only in March the Port Authority sold a long-term (1989) issue for the same purposes at a yield of 3.62%.
- California recently offered Veterans bonds to yield 4% for longer maturities (1981-85); in March California bonds were sold to yield 3.6% for 1981-84 maturities.

Meantime the average yield for seasoned high-grade municipals moved up to another postwar high at 3.74%. With continued new cash needs by the Federal Treasury and growing corporate money demands in competition with the swelling volume of tax-exempt offerings, indications are the municipal yields may continue to move higher.

The present municipal yield average is already at the highest level since early 1935. However, in the light of the principal feature of municipal securities—tax exemption—there can be no real comparison in yields. In 1935 the maximum tax bracket was 20%, so a 4% tax-free bond offered a yield equivalent to 5% on a taxable bond. As the table below shows, at the current maximum in our tax structure, a person would need a 44% yield on a taxable bond for the same after-tax income he gets from a 4% municipal.

**What 4% Tax-Free Means**

| Income Tax Bracket | Equivalent Taxable Yield | Income Tax Bracket | Equivalent Taxable Yield |
|---|---|---|---|
| 20% | 5.00% | 62% | 10.53% |
| 22 | 5.13 | 65 | 11.43 |
| 26 | 5.41 | 69 | 12.90 |
| 30 | 5.71 | 72 | 14.29 |
| 34 | 6.06 | 75 | 16.00 |
| 38 | 6.45 | 78 | 18.18 |
| 43 | 7.02 | 81 | 21.05 |
| 47 | 7.55 | 84 | 25.00 |
| 50 | 8.00 | 87 | 30.77 |
| 53 | 8.51 | 89 | 36.36 |
| 56 | 9.09 | 90 | 40.00 |
| 59 | 9.76 | 91 | 44.44 |

## AVIATION
### Price of Progress

THE TROUBLES plaguing the nation's two commercial aircraft leaders (IR, April 5) have shown no recent sign of abating. Embroiled in the midst of making and delivering their big transcontinental jet transports, Douglas Aircraft and Boeing Airplane are about to compete with each other in an extension of that business — production of shorter-range jets.

Boeing already is hard at work on 18 medium-range 720 models for United Air Lines. Last month president Don Douglas Jr of Douglas announced the company's new DC-9. Word followed immediately that Boeing would go ahead with its short-range 727 design.

Regardless of ultimate profitability, these projects mean a new period of development expenses which probably will have to be written off out of current earnings while reimbursement (despite fairly sizable progress payments by the airlines once actual production is scheduled) must largely wait till deliveries start.

The new projects come along just as the heavy development outlays for the Boeing 707 and Douglas DC-8 were finally descending (though still at a lofty altitude at the last checkpoint). In its February 1959 quarter Douglas research & development writeoffs still totaled $17,300,000 *v* $19,500,000 in the November 1958 period and $17,900,000 in February 1958. For Boeing the first quarter total was $12,600,000 *v* $5,770,000 the year before; the company's total 1958 writeoff came to $50,000,000.

The writeoff problem is reflected vividly in earnings. During its first (February) fiscal quarter Douglas flew $1.10 a share in the red (after a tax credit) against a $2.32 profit a year earlier. Boeing's results for the quarter ended March were down but still in the black; the company netted 21¢ a share compared with $1.35 in the first quarter of 1958.

To carry the reflection further, the earnings sag is clearly visible in the stocks of the two companies. Douglas common is now around a five-year low of 47, off from 56 in late March and a high of 74 in 1958. Boeing is at 36, down from 41 late in March and a high of 58 in 1958. Meantime the Dow Jones industrials which stood at 447 in early 1958 were around 637 last week.

## WE HEAR FROM . . .
### Elite Eleven

BRIGHTON, MASS

GENTLEMEN:

In the Talcott story in your June 10th issue is the sentence: "In fact, Talcott is one of a select group of eleven Big Board companies whose year-end stock prices topped those of the previous year each year since 1949."

I would appreciate your sending me the names of the other ten companies in the select group.

Very truly yours,
FRANK B GOPEN

The eleven-company list as supplied by Talcott:

Addressograph-Multigraph
American Electric Power
Cincinnati Gas & Electric
General Electric
Getty Oil
Goodyear Tire & Rubber
Houston Lighting & Power
Lily-Tulip Cup
McGraw-Hill Publishing
Mead Corp
James Talcott

## RETAIL TRADE

### Allied Stores Align

IN A SPARSE, brightly floodlit setting in the company's Fifth Avenue buying offices, Allied Stores chairman B Earl Puckett two weeks ago spotlighted the big retailer's 1958 record sales and not quite so bright profits. The results reviewed for the 100-stockholder annual meeting audience: sales in the year ended this January rose 1% to a record \$643,700,000 but earnings failed to match the sales pattern, dimmed to \$12,000,000 or \$4.18 a share from \$4.33 in 1957 and \$5.05 in 1956. Actually last year's profit figure was quite encouraging for after a dismal first half in which Allied netted a mere 4¢ a share it came back with record-shattering profits of \$4.14 in the second half.

According to merchandiser Puckett, the major factor in the markdown for the year was "the company's rather drastic expansion program." In September 1955 Allied acquired two stores from Halle Brothers in Canton, Ohio; the following month the company issued 70,000 shares of stock for all the capital shares of Cain-Sloan Company which owns a department store in Nashville.

Meantime Allied carried on an extensive construction program within its own chain. Six major branches were added in 1956: Jordan Marsh in Miami; Gertz in Hicksville, L I; Joske in the Gulfgate shopping center at Houston; Donaldson in the Southdale center at Minneapolis; Rollman in Cincinnati's Swifton center; Maas Bros in Sarasota. In 1957 Allied opened a Joske branch in San Antonio, a Bon Marché store in Bellingham, Wash and the Stern Bros-led Bergen Mall center in Paramus, NJ. Last year a large Jordan Marsh was added in the Peabody center north of Boston. All told Allied now operates 86 units, 35 of which are major department stores.

Chairman Puckett elaborated on expansion effects: "Our construction, modernization and acquisition of additional stores have contributed to our sales increase and our per share earnings decrease. One could say Allied has experienced a period of indigestion before the conversion of new additions into profits. However the basic big expansion program is now completed."

*Fancy facade at Allied's Bergen Mall*

The first (April) quarter report reflects Allied's expanded look: sales advanced 6% to \$137,700,000; earnings were a comfortable \$623,400 (15¢ a share) against a \$123,000 loss in the first 1958 period. Chairman Puckett added: "Although the improvement in profits for the company's first quarter was not as much as we would have liked, preliminary figures indicated a gain for May and June." Needless to say, he expects the six months ending July 31 should "definitely show a substantial improvement over the first half of fiscal 1958."

Taking stock of the component stores which make up the company's profit pictures, Earl Puckett stated two-thirds of company sales come from stores operating at a satisfactory profit level, 20% of sales come from stores with a sub-standard earnings rate and 13% of volume is represented by the six stores running at a loss. He figured: "If these six stores would just break even, profits would go up 70¢ a share." In February Allied top management was reorganized with an eye to closer supervision of the in-the-red stores. Chairman Puckett hopes this "could make three profitable and perhaps the other three might be made to break even."

Even with these profit-dimmers, the overall Allied profits projection is promising. For the remaining portion of the year chairman Puckett feels Allied will share in the generally expected high level of economic activity and Wall Streeters estimate Allied's earnings for 1959 may reach \$5 a share.

## MANUFACTURING
## STX on the High Road

AS A LONG-TIME purveyor to the automobile industry, Stewart-Warner Corp has traveled some by-roads in recent years and now turns out everything from chair casters to central home air conditioning.

Much of the credit for this "new product development and diversification" goes to Bennett Archambault who has just completed his fifth year as chief executive. Brought from the MW Kellogg Company to Stewart-Warner as president in 1954, the MIT graduate also became chairman after the death of James S Knowlson last Spring. Young (49) Archambault heads a complex of ten divisions of which Alemite (lubricators), Bassick (casters), S-W Electronics (radar) and S-W Instrument (speedometers) each accounted for 15-to-20% of 1958 sales.

To illustrate the diminishing dependence on automobiles Bennett Archambault last fortnight told Wall Street analysts "the furnishing of original equipment to passenger car manufacturers, which at one time accounted for a major share of Stewart-Warner's business, contributed only 9½% of our total sales volume during the first quarter of this year. Original equipment to truck manufacturers represented another 8½%."

Nevertheless, Stewart-Warner is still very much a part of '59 models with such necessities as gears, driveshafts and hardware. The Plymouth, Chrysler Imperial and Studebaker Lark all sport Stewart-Warner instrument panels. The 3,500,000 new cars already produced have assured

STX (Big Board symbol) the best first half in 30 years. March quarter sales drove up 16% to $27,000,000 and earnings rose a whopping 48% to $1.08 a share. Head driver Archambault guesses "our sales for the second quarter will be 35% higher than those for the same period last year and our net profits will show an increase of from 60-to-70%."

He added some reasons why the "second half operations should be at a very high level." First, the instrument division will equip even more 1960 models including one of the Big Three's new compact cars. Secondly, in the process of broadening product lines, Stewart-Warner discontinued some low profit items. The electronics division made radio & TV sets until 1954 when it began to concentrate on military and electronic products. There are large order backlogs in this division sparked by the success of a package sortation system used in railroad depots. Finally, a South Wind division heater system will be standard factory-installed equipment on another of the compact cars.

In this debt-ridden age, Stewart-Warner has a streamlined capitalization with no bonds or preferred stocks. At the present pace, earnings on the 1,611,000 common shares would top $4 for all 1959, matching banner years '55 and '56. There is the possibility of more liberal dividends; last year holders received $2 plus stock. Hence the stock trades around 49, some 20 points above last year's low and near the 30-year high set four months ago. (In 1929 the stock hit 77.)

**SPACE**

**Well-Dressed Astronauts**

ONCE upon a time, say 25 years ago, when space was still pretty much explored only in the comic strips, space suits were thought of in terms of Buck Rogers. However in 1934 famed pilot Wiley Post in conjunction with a B F Goodrich team headed by engineer Russ Colley dreamed up the first actual space outfit. This cumbersome pressurized garb, which inventor Post wears in the picture above, enabled the flier to break all existing altitude records in his *Winnie Mae*. Since then however the evolution of the space suit has made out-of-this-world travel togs look more & more down to earth.

An intermediate step was the outfit in center which rubber specialist Goodrich designed for the Navy in 1952. The "first great breakthrough in space-suit design," this model partially solved the problem of mobility which handicapped Post's

stiff-as-a-board outfit, still provided protection enough for the pilot to stand "infinity altitude." In fact the suit was far more advanced than existing aircraft.

One of the latest space fashion entrants is the new Navy-Goodrich Mark IV shown at bottom. Except for its slightly futuristic haberdashery, the outfit is no weirder than a suit of slightly baggy fatigues. Yet it will protect the pilot, here

shown ready to test it on the space sled under blast-off conditions which multiply his effective weight by 19 in the first 72 inches of flight.

This newest "omni-environmental" suit demonstrated recently at the Naval Air Material center in Philadelphia is so mobile spacemen could play baseball in the inflated uniform. Of course lunar baseball, while ideal for popfly swatters, might be hard on outfielders and suicidal for pitchers since a normal earth-type home run would soar half a mile on the fly in the moon's weak gravity.

The ultimate in sartorial elegance for the first men on the moon is still a ways off. Space tailors must yet overcome such problems as cosmic ray resistance and temperature extremes. But Goodrich president Ward Keener feels: "The man who lands on the moon will be wearing something very close to this [Mark IV] Ivy League version. He'll look more as though he came from Brooks Brothers than from Mars."

However, price tags on space suits will be high even by Ivy League standards. Cost of a Mark IV: $4,500-to-5,000. And the Air Force has announced it tentatively plans soon to award a contract for three extra-special outfits at a total cost of $200,000.

# *Mead Meets Industry Profits Squeeze*

### Score of Acquisitions Wraps Paperboard Growth Around White Paper Core

LIKE MOST every paper maker, the Mead Corp of Dayton, Ohio is fighting a profits squeeze. In the last ten years Mead has increased its sales 3.3 times. But earnings a share on the company's stock are practically unchanged from 1947-49. The six closest industry rivals of sixth-ranking Mead have much the same story to tell: sales have increased 2½ times while earnings are up only 8% over 1947-49.

For the industry, observers lay the blame on excess capacity and consequent price weakness. And for rapidly expanding Mead Corp, vice president H Talbott Mead adds: "There is no question but that the shares of stock issued for the acquisition of several companies during the past two or three years have temporarily diluted the earning power of our stock."

Since 1955 Mead has spread out from its traditional white paper manufacturing enterprise and added 20 companies large & small. In the process Mead has issued more than 1,600,000 shares to bring its total to 4,863,000.

This situation leaves finance expert "Tally" Mead far from downcast. "The acquisitions which our company has made in the recent past have been made according to a thoroughly considered plan of action with full knowledge of temporary results for the strengthening of the corporation in the future."

In its 20-company, 3½-year acquisition splurge, Mead had acquired twelve corrugated and folding box companies, three makers of specialty paper lines, one white paper manufacturer and four sales and distribution companies. Furthermore, the company has recently announced a $30,000,000 kraft paperboard expansion for Rome (Ga) Kraft Company which it owns jointly with Inland Container Company of Chicago, a Mead partner in some ventures, a rival in others.

Discussing Mead's mass purchases, Tally Mead's eyes light up with especial enthusiasm when he talks of $5,000,000-assets Hurlbut Paper Company of South Lee, Mass. This early 1958 acquisition for 168,000 shares "is certainly one of the most intriguing and stimulating things which has happened to the corporation for a long time." Hurlbut has what vp Mead calls "a unique ability to manufacture highly specialized grades of technical papers." These include paper & plastic "sandwiches" which can be used as counter tops, table tops or furniture and wall paneling. Other items: industrial laminates, filter papers and photographic base papers.

The Massachusetts subsidiary also makes paper "softer than chamois skin out of glass fibers and ceramic fiber paper which maintains its insulating properties at very high temperatures of 2,000 degrees and more." Some newer specialties are too "confidential to talk about."

Another Hurlbut activity which

Tally Mead discusses with parental pride is a new paper machine which came into operation last Fall and more than doubles Hurlbut capacity. The machine "is unique in the industry in that it is made primarily out of stainless steel in order to afford the purity and cleanliness of product which is desired."

**Paperboard Pushed.** More prosaic but perhaps even more important, Mead has added vigorously to its paperboard capacity, beefing up its sales and distribution program and spreading out geographically.

A quick look at some Mead Corp-supplied statistics illustrate the sharp contrast in the growth of the company's paperboard and its white paper activities. White paper production has not stood still, increased 33% above the company's 1947-49 average but industry-wide white paper output has pushed 43% higher during the same period.

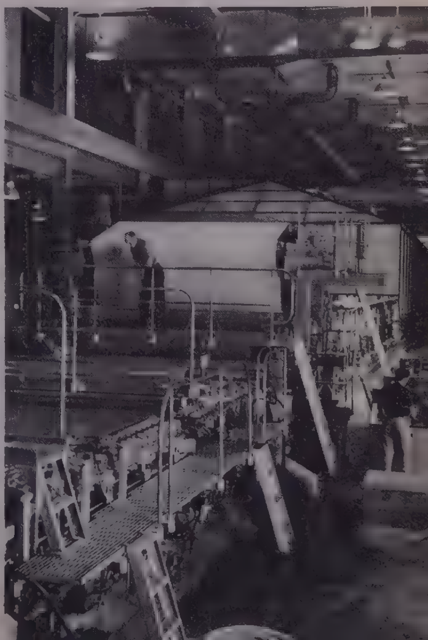
In sharp contrast Mead's paperboard production has jumped 168% over the 1947-49 base period whereas the industry rise is only 57%. Furthermore, while at the start of the period Mead's white tonnage slightly exceeded paperboard volume, the latter is now by far the company's biggest product.

The list of new paperboard acquisitions includes Atlanta Paper Company of Atlanta; Jackson Box and Excello Paper Products, both of Cincinnati; Shelby Paper Box of Memphis; Grand Rapids Container, Grand Rapids; A & P Corrugated of Gardner, Mass and most recently Gibraltar Corrugated Paper, North Bergen, NJ. But though Mead blankets the Midwest, East and South, it does not yet have any plants in the fast-growing Pacific Northwest.

**Local Launching.** The project which launched Mead's acquisition program was the 1955 purchase of a next-door neighbor to its Chillicothe, Ohio plant—the Chillicothe Paper Company. This is a white paper producer which duplicates some of Mead's product lines but adds diversification in safety papers, greeting card paper and the like. A new machine was installed in the plant and put into full operation in mid-1958. Talbott Mead says: "As this mill becomes more thoroughly integrated, particularly insofar as pulp is concerned, we expect this acquisition to generate substantial returns on the stock issued for it."

With these major acquisitions ac-

*Hurlbut paper machine*



complished, Mead Corp has set about tying them together in a way which it hopes will spell new profits. This process takes a while, warns Talbott Mead. For instance it is necessary for newly acquired shipping container companies to fulfill their contracts with their present paperboard suppliers before moving over to Mead. Most such contracts should expire by 1960 or 1961, says vp Mead.

Aside from its own plants, Mead has half-interests in three big paper mills. It shares the Rome and Macon, Ga mills with Inland Container and the Brunswick, Ga plant with Scott Paper. To use more of this output in its own newly acquired converting plants is a prime Mead aim.

Transition or no, Mead Corp's plans for 1959 are ambitious. The company plans to produce more than 1,000,000 tons of white paper and paperboard this year, thus surpassing the magic million figure for the first time. Last year's production was 805,000 tons *v* 893,000 in 1957.

In the rapidly growing paperboard segment of its business, the company's production and sales goal is over 575,000 tons or 140,000 more than in 1958. This increase is anticipated because Mead Corp corrugated shipping container plants will provide an increasingly larger outlet for paperboard capacity.

In the white paper field Mead looks to produce and sell over 450,000 tons, an 80,000-ton gain over 1958. Talbott Mead notes while expanding production the company has also been attempting to replace low profit grades with higher profit ones and to upgrade quality as well.

**Higher Goals.** With these increases in production, Mead Corp has a goal of 20% increase in both sales and earnings. If achieved, this would mean sales in the vicinity of $310,000,000 and earnings of $2.75-to-$2.80 a share.

In the first twelve weeks of the year sales were up to $63,300,000 from $53,875,000. Profits lagged, however, moving up only a penny to 54¢.

Clouding Mead's horizon slightly are price worries. Talbott Mead feels increases are called for in both the white paper and paperboard sections of the industry, "particularly the latter." While there have been scattered increases in white paper prices, there "is no sign of strengthening in paperboard to date and it is doubtful that there will be much improvement for the remainder of the year."

To promote integration and internal efficiency, the company expects to make capital expenditures in 1959 of around $18-to-19,000,000 and a total of $80-to-100,000,000 in 1959-63 depending on the amount of retained earnings.

Asked if Mead Corp (which still has 6,000,000-plus authorized but unissued shares) has reached a leveling-off point in its acquisition program. Talbott Mead looks sharply at his inquisitor and says, "that's just what our competition would like to know." But he adds Mead Corp intends to keep a balance between its white paper and paperboard making facilities; "if one grows, the other will."

## Petrochemical Prosperity at Phillips Pete

**Diverse Oil & Gas Doings Plus Big Sidelines Create Well-Stabilized Company**

THE HULA-HOOP craze is over and though demand for rigid polyethylene grows there is overcapacity in the field. One company which reports "particular improvement" in polyethylene sales, however, is well-diversified Phillips Petroleum Company. In the past few years Phillips has boosted capacity for Marlex polyethylenes made from petroleum to over 75,000,000 pounds annually. Phillips works towards capacity production by selling thermoplastics for hundreds of end products including baby bottles which can stand the heat of sterilization, scuff-resistant shoes and surgical fabric for tissue replacement.

Oil & gas producer and refiner Phillips also is interested in uranium mining, nitrogen fertilizers, ammonia, sulfur and synthetic fiber materials such as cyclohexane used in making nylon. All these side operations are on the upgrade except the manufacture of ingredients (Philprene and butadiene) for synthetic rubber. As far as basic refining and petroleum marketing operations are concerned, oversupplies of gasoline and distillates have currently led to weakened prices. Still to be seen is whether inventories will be reduced in time to stabilize prices for the summer driving season.

Diversification at Phillips has been done via capital expenditures of $600,000,000 in the past three years. Chairman Kenneth Stanley "Boots" Adams says these should "reinforce earnings for years to come." Stepped-down expansion expenditures this year will be $135,000,000. Though new plants were put into operation in 1958, cost-conscious Phillips at the year-end has reduced employes 9% to 24,460. About 850 former Phillips workers went to the company's 50%-owned (with North American Aviation) rocket fuel affiliate Astrodyne, Inc.

Astrodyne's earnings or losses are not released. Phillips sees the payoff from Astrodyne and also from its atomic work (1,700 Phillips employes are on AEC projects) in technical know-how which will eventually have practical applications. One possibility: nuclear radiation to measure oil & gas reserves.

With wide diversification, reduced operating expenses and increased sales, chairman Adams expects 1959 net income "should be the highest in company history." In the first quarter profits rose 25% to $25,800,000 or 75¢ a share. Wall Street expects about $2.90 for the year. The company's net income has almost doubled since 1950 but earnings a share have risen more slowly because of conversion of senior securities. At present Phillips has $302,000,000 in long-term debt including $172,000,000 in convertible debentures.

Like other oil shares, the price of Phillips stock (ticker symbol P on

***Phillips poly in the nursery***

the Big Board) has declined recently. It hit an alltime high of 56¾ in 1956, fell to a low of 36 last year and now sells at 45.

**Foreign Share.** Though domestic gasoline prices are soft because of oversupply, Phillips is relatively well situated in the overall petroleum picture. It imports only from Venezuela and has benefited more than suffered from the new mandatory import controls. Its crude import quota was raised to 15,960 barrels daily, about two-thirds of its Lake Maracaibo output, from the original 10,200-barrel quota under the voluntary program.

To the north, Phillips produces in Canada and sells there. Abroad it has oil exploration rights in the Algerian Sahara and a joint interest in exploration concessions on 41,400,000 acres in Australia. Through a 34% interest in American Independent Oil, Phillips shares in the Kuwait Neutral Zone and the Iranian Consortium. American Independent has yet to pay a dividend but may start this year.

Sales of Phillips liquefied petroleum gas (Phillips is the largest LPG producer) climbed 16% last year and this year 60% of the company's multi-million drilling funds are "aimed at finding natural gas." How profitable natural gas operations will be in the future will hinge on the outcome of the now famous Phillips rate case. The US Supreme Court ruled that the FPC should control natural gas rates. An FPC examiner recommended this Winter that Phillips be granted a $14,000,000 increase in rates in Wisconsin and Michigan. The company has sought a $49,000,000 increase and disapproves of the criteria used by the examiner. The final outcome is several years off for the FPC's eventual decision is expected to be appealed again, probably back up to the Supreme Court.

## RAILROAD EQUIPMENT
### North American Car Salutes

IN THE darkest days of the Korean War, Major General Edmund Lasher, transportation officer for the Eighth Army, had only "one rather shaky railroad and a few narrow country roads" over which to move outnumbered troops in the defense of the Pusan perimeter. But he moved them efficiently enough so they could block the Reds and eventually he helped route the UN troops back toward the 38th parallel.

Now the general has considerably more facilities at his command. He

is president of the North American Car Corp, the nation's third largest railroad car leasing company. He began this tour of duty in April 1958 when he retired from his post-Korea post of executive director of the Military Traffic Agency in Washington.

West Pointer (class of 1929) Edmund Chauncey Rockefeller Lasher found it "not too difficult" to switch from military life to private enterprise. "To a large extent I am dealing with the same people," he explains. Another service carryover: a staunch belief in the economies of integrated transportation. He likes piggyback and universal containers (IR, June 10) which can go by railroad, truck, ships and "perhaps even by rocket." With this "big picture" in mind, he stresses North American diversification "into the broad general transportation area."

At present however, North American still obtains 95% of its revenues from leasing its fleet of 14,500 tankers, refrigerator cars, hoppers and gondolas to shippers, railroads and freight forwarders. Car leasing has always been much more recession-proof than most forms of the railroad business as attested by the fact North American has never failed to show a profit in each of its 52 years.

Last year General Lasher saw North American revenues rise 4% to $16,000,000 and was also able to report a new record in earnings a share: $2.04 *v* $2.02 though total reported net income decreased slightly to $2,770,000 from $2,780,000. This apparent paradox resulted mainly from a major financing and accounting shift. Last Summer $6,610,000 worth of preferred stock was refunded for subordinated notes; the interest on the notes is deducted before net (and taxable) income is figured while the previous year's income had of course to be listed (and taxed) before payment of the preferred dividends.

This year however all earnings figures are up. In the first quarter North American netted $714,000 or 53¢ a share compared to $648,000 or 46¢. For the full year 1959, outsiders forecast earnings of $2.25-to-$2.50—an estimate General Lasher considers "a good range."

The common dividend was upped last December to 25¢ from 22½¢ a quarter and there is talk of a further increase. General Lasher comments: "Probably we will increase our dividend again if earnings indicate it's feasible. Our unwritten policy is to pay out about 50% of earnings."

Reflecting the corporate feeling of expansiveness, stockholders voted a 2-for-1 split in April. After the split the shares reached a high of 43 on the Midwest Stock Exchange or triple the 1958 low, now trade at 38. Last week the 1,320,000 shares were listed on the Big Board.

**Diversification Detail.** The first maneuver in General Lasher's diversification campaign for North American was acquisition of Alexander Chemical Corp, maker of water purifying chemicals, for 68,000 shares this January. However this company was added more for its real than its chemical properties. Alexander owned a choice 164-acre site at the junction of the Illinois Waterway (which connects the Mississippi-

Ohio - Missouri River system with Chicago) and the Cal-Sag Channel (which through Lake Calumet links with the Great Lakes and St Lawrence Seaway). The property also ties in with rail and highway systems. On this strategic location, North American set up a Terminal Services division or storage tank farm on which it leases storage facilities to Monsanto Chemical and other producers of chemicals and vegetable oils. Part of the division's service: it will process stored goods and contract for delivery.

Three chemical storage tanks were on the property when North American acquired it in January and the company has added six more which are already rented. Another two are under construction. General Lasher reports: "Negotiations are underway with several companies" which might be interested in storing in additional tanks. The North American chief envisions a bright outlook for the tank farm with a potential 300 tanks capable of holding 300,000,000 gallons of bulk goods, liquids and grains.

As far as other acquisitions are concerned, the general maintains "we are in a position where we can be pretty choosy." Says the general: "We've looked at a lot of companies but only found a few out of a hundred worth investigating for our purposes. We're negotiating with three or four right now."

Meanwhile branching out in its own car leasing field, North American this year inaugurated piggyback service. It has already leased 125 piggyback cars to railroads and shippers. And to broaden its line of conventional cars, North American recently developed two new models: a covered hopper car with a pneumatic unloading device "permitting more economical and sanitary handling of malts, grits and other granulated products" and a new MARK-20 tank car which is twice as big as the normal tanker (it holds 20,000 gallons). The giant size of the tankers makes for economies which permit rate reductions. So far 13 of the super cars have been leased to shippers; in each case the lessees were first able to secure lowered rates from the roads over which they will travel. At the moment North American has several more "serious inquiries" on the new cars.

In line with General Lasher's branching out strategy a number of other new developments, in both equipment and diversification, are on the tracks ahead. He offers: "There will be a renaissance in the nation's whole transportation industry in the relatively near future. North American plans to participate to the maximum possible extent."

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## SYLVANIA & THE SPHINX

Fortunately the Sphinx has her eyes closed—otherwise she might have been blinded when this photo was taken earlier this month. For then, the statue and the Great Pyramid of Cheops posed in a tremendous burst of light from 6,500 Sylvania flashbulbs for the largest flash picture ever taken.

However, for Sylvania Electric Products, this bevy of bulbs was just a flash in the desert. Sylvania is the largest flashbulb producer in the US with over half the total market. As a result of its pictorial interests plus its huge electronics line, Sylvania drastically changed the focus at No 2 phone network General Telephone Corp when the two merged share-for-share in March to become General Telephone & Electronics Corp. In 1958 General Telephone had derived roughly 60% of its $552,000,000 revenues from telephone subsidiaries in 30 states while manufacturing (telephones, switchboards, etc) brought in the rest. With Sylvania's wide product roster (light bulbs to Argus cameras to major defense communications systems) added, manufacturing volume is now nearly double telephone revenues.

However stockholders are usually more interested in profits than in the source and were happy to find consolidated first quarter net rose to $15,219,000 or 75¢ a share from the pro forma results of $12,344,000 or 66¢ in the like 1958 period. On the Big Board the new stock now trades around 65, a goodly gain for the stockholders of both Sylvania which came up from a low of 32 last year and General Telephone which had a 1958 low of 41.

## UPS and DOWNS

Sisyphus, king of ancient Corinth, was subjected to one of the most frustrating tortures in all mythology. He was condemned by the gods to spend eternity rolling a huge stone up a hill—only to have it roll down again each time he reached the top. For sheer futility, the plight of Sisyphus seems hard to beat.

But there are people who do to themselves for no reason at all what Sisyphus had done to him as punishment for his crimes. Such people scrimp and save in order to invest in common stocks that show promise of growth. They see their holdings begin to increase in value, and then they relax in the belief that their stocks will go up forever and their fortunes will be made. That can happen, of course, but there's no guarantee. Some stocks, like the stone of Sisyphus, go up only to roll down again. That's why an investor should keep a watchful eye on his holdings (especially in these days of active markets). It's fine if you can sell at the high, but that's more easily said than done, largely because there is no sure way of knowing in time how high is high.

We have one suggestion that may be helpful. If you own stocks that have risen so high in price that you would not buy them now, you should at least consider the possibility of selling them.

Sisyphus had no choice but to watch his stone roll down to the bottom of the hill after each climb, but *you* can sell your holdings and consolidate your gains whenever your judgment tells you the time is ripe.

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